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Supreme Court of the United States

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October Term, 1971
No. 71-1061

ARNESON PRODUCTS, INC., and HOWARD M. ARNESON,
Petitioners,

vs.

CHARLES M. BLUMENFELD,
Respondent.

Brief of Respondent in Opposition to Petition for Writ of Certiorari.

R. WILLIAM JOHNSTON,
201 South Lake Avenue,
Pasadena, Calif. 91101,
(213) 795-5843,
Attorney for Respondent.

RUSSELL R. PALMER, JR.,
CHRISTIE, PARKER & HALE,
201 South Lake Avenue,
Pasadena, Calif. 91101,
Of Counsel.

Parker & Son, Inc., Law Printers, Los Angeles. Phone 724-6622

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Brief of Respondent in Opposition to Petition for Writ of Certiorari.

A. Facts.

The facts in this case are simple, and an outline is sufficient to evaluate petitioner's "Reasons for Granting Petition":

a. Respondent sued petitioner in a state court to recover unpaid royalties under a license agreement requiring payments on any swimming pool cleaner sold by petitioner and "covered by one or more valid and subsisting claims of [respondent's] patent. . . ."

b. The doctrine of licensee estoppel (which might have barred a patent-validity attack by petitioner) was abolished several months before trial in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969). Petitioner's counsel was fully aware of this decision before and during trial, but never-

theless declared to the trial judge on at least four occasions that he chose to refrain from questioning validity and would argue only that respondent's patent did not cover the product in question.

c. The trial judge held that the patent covered the product, and that the patent was valid as between the parties because a presumption of validity arises from 35 U.S.C. § 282 and no evidence was submitted to overcome the presumption. The product was therefore covered by the license agreement, and damages were awarded to respondent. This judgment was affirmed without dissent by the California District Court of Appeal, and the California Supreme Court declined further review.

B. Petitioner's Proposed Non-Waivable Validity Defense Would Lead to Delays and Multiple Trials, Is Unsupported by Logic or Precedent, and Is Contrary to the Public Interest.

Petitioner argues that validity is a non-waivable defense, and thus in effect attacks the power of a court to decide a patent-infringement issue in one trial proceeding if the party charged with imfringement deliberately refuses to attack validity of the patent. Petitioner ignores how the trial court will determine validity if (as in this case) defendant declines to present arguments and evidence on the issue.

Petitioner's proposal of non-waivability can be implemented in such a case only by requiring two successive trials, or by imposing on the court itself an obligation to gather and analyze evidence relevant to patent validity. The latter approach, which requires a

sua sponte investigation of validity by the court, is absurd because it ignores the adversary concept inherent in our legal system, and expands the concept of judicial notice to convert trial judges into investigators and evidence gatherers.

The dual-trial approach would enable an accused infringer or defaulting licensee to hold validity arguments in reserve until a final determination of infringement was made by the trial and appellate courts. A defendant disappointed with the outcome of the first trial could then subject the patent owner to a second trial and appeal on validity. This technique is detrimental to the public interest, and petitioner cites no case which supports such a magnification of court burden, litigation expense, and delay in obtaining a final judgment.

Multiple trials contravene the policy considerations which underlie both state and federal rules of *res judicata,* collateral estoppel, compulsory counterclaims, and affirmative-defense waiver. The U.S. Patent Laws (35 U.S.C. § 282) specifically require pleading of any invalidity defense. The California District Court of Appeal properly rejected petitioner's request for a second trial as being contrary to California law as expressed in *Sutphin v. Speik,* 15 Cal.2d 195, 202 (1940).

In *Lear, Inc. v. Adkins, supra,* there was no question of waiver because the defendant licensee attempted to attack validity at every stage of the suit, but was blocked by the license-estoppel doctrine. This Court swept aside the doctrine because the public interest in determining patent validity was best served by freeing parties with an economic interest at stake to raise a timely defense of invalidity. The case in no way supports petitioner's

dual-trial theory or the notion that validity is a non-waivable defense.

Petitioner's reliance on *Standard Industries v. Tigrett Industries*, 397 U.S. 586 (1970) is puzzling because neither the effect of the decision nor the language of the dissenting opinion supports the proposed theory of non-waivability. In *Standard Industries*, defendant in a pre-*Lear* trial did not challenge validity, and apparently conceded that this defense was unavailable under the then-prevailing doctrine of licensee estoppel. A judgment awarding license royalties to plaintiff was affirmed by the Court of Appeals, and then the *Lear* decision was issued. This Court granted certiorari to consider several questions, including a request that the action be remanded for trial of the validity issue.

The judgment for plaintiff in *Standard Industries* was affirmed *per curiam* by an equally divided Court. The effect of this affirmance was to deny defendant a second trial on the newly available validity question. Justices Black and Douglas joined in a dissenting opinion arguing that the requested remand should be granted under the circumstances there presented. A portion of the dissenting opinion states:

> "The failure to assert invalidity below cannot, in these circumstances, be deemed a waiver of that defense. The Court has recognized that to be effective a waiver must be 'an intentional relinquishment or abandonment of a known right or privilege,' Johnson v. Zerbst, 304 US 458, 464, 82 L Ed 1461, 1466, 58 S Ct 1019, 146 ALR 357 (1938), and we have frequently allowed parties to raise issues for the first time on appeal *when there has been a significant change in the law since the trial*. . . . In deciding whether such new

arguments can be considered, we have primarily considered three factors: first, whether there has been a material change in the law; second, whether assertion of the issue earlier would have been futile; and third, whether an important public interest is served by allowing consideration of the issue. It is clear to me that all these criteria are met in this case." 397 U.S. 586, 25 L.Ed. 2d 590, 591. (Emphasis added)

Giving full weight to the dissenting opinion, it still does not support petitioner's non-waivability theory. The "material change in the law" in the present case was *Lear* which was decided *before* trial where petitioner repeatedly acknowledged that licensee estoppel had been swept aside, but nevertheless declined any attack on validity. Thus, unlike *Standard Industries*, there was no barrier to timely assertion of a validity defense. Paraphrasing the words of the *Standard Industries* dissent, petitioner intentionally relinquished and abandoned any validity argument it may have had, and the defense was therefore waived.

The requirement of timely presentation of defenses as shown by *Standard Industries* is further illustrated in *Skil Corp. v. Lucerne Products*, ... F. Supp. ...., 167 USPQ 388 (N. D. Ill. 1970) where a pre-*Lear* summary judgment for plaintiff had been granted in a patent-royalty suit. After *Lear* was decided, the *Skil* court refused to reopen the validity issue (even though a full trial of other issues lay ahead) because defendant had earlier failed to attack validity during summary-judgment preceedings.

Petitioner here seeks consideration of a validity issue which was intentionally waived at trial with full

knowledge of *Lear*. Both *Standard Industries* and *Skil* refused to re-open the validity issue where judgments issued in a pre-*Lear* setting put defendants in a far more favorable position, and these decisions show that petitioner's argument is without merit.

Petitioner also suggests that review of this case is essential to cure inconsistent decisions in the lower courts on questions related to those in *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945). The short answer is that this case does not present the problem raised in *Sinclair*.

This Court suggested in *Sinclair* that the better practice in patent cases was to make a validity determination for the public's benefit, even though the suit could be disposed of on the basis of non-infringement. The comments in *Sinclair* assume that evidence of both invalidity and non-infringement was presented at trial to enable findings on both issues. In the present case, the trial and appellate courts concluded that petitioner infringed the patent in suit, and that the patent was valid under the statutory presumption of 35 U.S.C. § 282 in the absence of any evidence of invalidity. *Sinclair* is therefore not in point.

The other cases cited by petitioner in support of the purported "conflict in the circuits" are similarly not in point where defendant is found to infringe and has failed to submit any evidence on validity. Thus, *M.O.S. Corp. v. John I. Haas Co.*, 375 F.2d 614 (9th Cir. 1967), *FMC Corp. v. F. E. Myers & Bro. Co.*, 384 F.2d 4 (6th Cir. 1967), *Nyyssonen v. Bendix Corp.*, 342 F.2d 531 (1st Cir. 1965), *Hap Corp. v. Heyman Mfg. Co.*, 311 F.2d 839 (1st Cir. 1962), and *Marvin Glass & Associates v. Sears, Roebuck & Co.*, 448 F.

2d 60, 171 USPQ 263 (5th Cir. 1971), are all cases in which an appellate court declined a validity analysis where the patent was *not* infringed.

Of the cases just listed, *Hap Corp. v. Heyman Mfg. Co.* is of special interest as it also deals with defenses omitted at trial but raised on appeal:

> "Heyman also seeks, on this appeal, to have us find that the '384 and '385 patents were anticipated. Not having disputed the issue of validity below, it cannot do so now in order to obtain a reversal. It is not enough that the record may contain evidence on which appellant may piece together a case." 311 F.2d at 844.

Respondent has no quarrel with this case because its non-*Sinclair* aspect is squarely opposed to petitioner's proposal of non-waivability of validity defenses. As the case relates to *Sinclair*, it is not relevant to a situation where (as here) the patent is infringed.

Petitioner also cites *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F.2d 353 (9th Cir. 1955), *Royal-McBee Corp. v. Smith-Corona Marchant, Inc.*, 295 F.2d 1 (2d Cir. 1961), and *Ransburg Electro-Coating Corp. v. Proctor Electric Co.*, 317 F.2d 302 (4th Cir. 1963). *Hycon* was simply a reversal and remand of a summary judgment holding of validity where issues of fact required a trial for resolution. *Royal-McBee* permitted an initial validity challenge on appeal, but only where the evidence presented was already of record in the trial proceeding, and where this Court had decided several major cases relevant to validity subsequent to trial and while the appeal was pending. *Ransburg* affirmed a judgment holding several patents valid and infringed, with the Court of Appeals gratuitously commenting on several issues in the record but not contested at trial.

ity finding to support both its infringement decision and its determination that royalties should be paid according to the contract.

This Court's concern over the complexity and expense of patent litigation was expressed less than one year ago in *Blonder-Tongue Laboratories v. University of Illinois Foundation*, 402 U.S. 313, 329-30, 334-38 (1971). The decision specifically refers to the need for evidence of invalidity if the statutory presumption of validity is to be overcome. The necessity of giving each party a complete opportunity to litigate all issues was stressed, but the Court eliminated mutuality as a requirement of a collateral-estoppel defense.

The purpose of this new rule was to conserve judicial energy, and to minimize the burden and cost of patent litigation. These same goals are served by making a validity finding at the same time the question of infringement is determined. There is no justification for piecemeal defenses, and the procedures followed by the California courts in this action support the policy objectives of *Blonder-Tongue*.

Petitioner states that the "effect of the California judgment is to endow a patent with an adjudication of validity". This is certainly true as between the parties to this suit. That decision, however, binds only the parties, and does not prejudice the right of any third person to question validity in a future action.

The validity finding was necessary in the judgment, and is not contrary to either federal patent policy or the public interest. No question under either state or federal law is presented which requires the attention of this Court.

D. The Trial Court's Analysis of Infringement Complies With the Standards Established by This Court.

The test of "legal" infringement involves first a determination of whether the product in question has the structure *literally* recited in a patent claim. If all elements defined in the claim are present in the product, "literal" infringement is established. The second step is to confirm that the product is the *equivalent* of the invention disclosed in the patent. A determination of equivalence plus literal infringement establishes legal infringement of the claim, assuming that the claim is considered valid as discussed above.

This test was clearly established in *Graver Tank Co. v. Linde Air Products Co.*, 339 U.S. 605, 607-10 (1950). With respect to literal infringement, this decision states:

> "In determining whether an accused device or composition infringes a valid patent, resort must be had in the first instance to the words of the claim. If accused matter falls clearly within the claim, infringement is made out and that is the end of it." 339 U.S. at 607.

The reason for an equivalence test is then discussed:

> "[W]here a device is so far changed in principle from a patented article that it performs the same or a similar function in a substantially different way, but nevertheless falls within the literal words of the claim, the doctrine of equivalents may be used to restrict the claim and defeat the patentee's action for infringement." 339 U.S. at 608-09.

The following comments are then made on the determination of equivalence:

> "What constitutes equivalency must be determined against the context of the patent, the prior art, and the particular circumstances of the case. Equivalence, in the patent law, is not the prisoner of a formula and is not an absolute to be considered in a vacuum. It does not require complete identity for every purpose and in every respect. In determining equivalents, things equal to the same thing may not be equal to each other and, by the same token, things for most purposes different may sometimes be equivalents. Consideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients, and the function which it is intended to perform. . . .
>
> "A finding of equivalence is a determination of fact. . . . Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and that court's decision, under general principles of appellate review, should not be disturbed unless clearly erroneous." 339 U.S. at 609-10.

The trial and appellate courts below first found that petitioner's product fell within the literal wording of the patent claim (see discussion at pages vi-ix of the petition appendix). These courts then proceeded to determine that petitioner's product was the functional equivalent of the device disclosed in the patent (discussed at pages ix-xi of the petition appendix). The ultimate finding of legal infringement was accordingly

fully supported by the evidence and the legal standards set forth in *Graver Tank*.

The comments on pages 13-14 of the petition are misleading and erroneous for these reasons:

1. Petitioner's Question III reads as follows: "May a court properly conclude literal infringement of a patent claim without construing and interpreting the language of the claim in reference to the patentee's drawings and specifications which support the claim?" The question is nonsense. *Literal* infringement involves reference to the claim language alone. The patent specification and drawings are of course relevant, but to the question of equivalency rather than literal infringement. Both steps were fully investigated by the courts below.

2. Petitioner erroneously states that "The California Court expressly conceded that the Blumenfeld patent disclosure showed a basic operating structure of a form and type totally absent from the accused 'Pool Sweep' device." [Petition p. 13]. This statement is supposedly supported in footnote 4 [Petition p. 13] which quotes the appellate court's recitation of petitioner's *argument*, and not the findings of the court. This portion of the appellate decision rejected petitioner's attempt to insert elements of other claims into the infringed claim, and the court below in no way inferred the total structural difference asserted by petitioner.

3. The first paragraph on petition page 14 suggests that the infringement determination was made without reference to the patent drawings

and description. The appellate decision below, however, makes clear that the patent drawings and description were exhaustively reviewed both at trial and on appeal. The patent disclosure is carefully summarized in the appellate decision [Petition pp. ii-iii], and the disclosure is thereafter used repeatedly in supporting the affirmance of the judgment.

The courts below carefully analyzed both respondent's patent and petitioner's product, and the determination of infringement was in full compliance with the standards set by this Court. No basis is shown for further review of the issue.

E. Conclusion.

This action has been pending for more than six years, and petitioner would extend it by having this Court endorse piecemeal litigation. Respondent is unaware of any flaw in his patent, and petitioner has at no stage of this litigation presented any evidence of invalidity. Petitioner's plea for a second trial is unjustified. The decision below is correct and fully supported by the evidence. The petition should be denied.

Respectfully submitted,

Pasadena, California
March 7, 1972

R. WILLIAM JOHNSTON,
Attorney for Respondent.

RUSSELL R. PALMER, JR.,
CHRISTIE, PARKER & HALE,
Of Counsel.

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PETITION FOR REHEARING OF PETITION FOR A WRIT OF CERTIORARI to the California Court of Appeal, First Appellate District, Division Four

CHARLES E. TOWNSEND, JR.,
One Kearny Street,
San Francisco, California 94108,
Telephone: (415) 397-4757,
Attorney for Petitioners.

TOWNSEND AND TOWNSEND,
STEPHEN S. TOWNSEND,
ANTHONY B. DIEPENBROCK,
WILLIAM D. MCCANN,
One Kearny Street,
San Francisco, California 94108,
Telephone: (415) 397-4757,
Of Counsel.

PERNAU-WALSH PRINTING CO. - 562 MISSION STREET - SAN FRANCISCO - CA 94105